

**Report of the Supervisory Board of Asseco South Eastern Europe S.A  
for the year 2019**

**I. Report on the activity of the Supervisory Board of Asseco South Eastern Europe S.A in the year 2019**

**Organizational matters of the Supervisory Board**

In 2019 Supervisory Board of Asseco South Eastern Europe S.A. operated in the following composition:

Jozef Klein	– Chairman of the Supervisory Board
Adam Góral	– Vice Chairman of the Supervisory Board
Artur Kucharski	– Member of the Supervisory Board
Adam Pawłowicz	– Member of the Supervisory Board
Jacek Duch	– Member of the Supervisory Board

The Company complies with the principle on the fulfillment of independence criteria by the Supervisory Board Members in reference to two Members of the Supervisory Board. The criteria of independence are met by Artur Kucharski and Adam Pawłowicz.

**Enforcement of statutory duties by the Supervisory Board**

In 2019, the Supervisory Board have conducted permanent supervision of the ongoing activities of the Company, in connection with performance of its supervisory powers held four meetings of the Supervisory Board.

Significant area of the Supervisory Board activities in 2019 was to assess the current performance of the Company, realization of the budget by the Management Board and to analyze the Company's strategy in all directions of its activity. The Management Board regularly informed the Supervisory Board of the feasibility of achieving the planned strategic objectives of the Company, as well as financial results of the Company. Specific objectives and strategic intentions of the Company were reported and discussed during the meetings between members of the Supervisory Board and Management Board of the Company and have been approved by the Supervisory Board. The Supervisory Board received detailed information and explanations on the state and perspectives of cooperation with companies under the holding company and within the Capital Group and on the results of Company's subsidiaries.

In addition, the Supervisory Board finds that the situation of the Company in the year 2019 must be assessed by prism of the purpose for which the Company was formed, which is building a holding structure, which gather information technology companies from countries in the Central and Eastern Europe. The intention is to make as the main source of the Company's revenues dividends paid by Company's subsidiaries.

The Supervisory Board confirms the continuation of the very good cooperation with the Management Board of Asseco South Eastern Europe S.A.

## **The Audit Committee of the Supervisory Board**

### **Composition of the Audit Committee**

In 2019 the Audit Committee operated in following composition:

Artur Kucharski	– Chairman of the Audit Committee
Jacek Duch	– Member of the Audit Committee
Adam Pawłowicz	– Member of the Audit Committee

During the meeting of the Audit Committee on 18 February 2019, the Chairman of the Audit Committee discussed with the members of the Audit Committee the issue of meeting the formal requirements. According to the resolution adopted by the Audit Committee, criteria of independence are met by Adam Pawłowicz and Artur Kucharski, who also has knowledge and skills in the field of auditing financial statements, while all Members of the Audit Committee have knowledge of the industry in which Asseco South Eastern Europe S.A. operates.

In 2019, six meetings of the Audit Committee were held, during which the Audit Committee performed the tasks set out in Article 130 of the Act on Statutory Auditors, Audit Firms and Public Supervision. In addition, in connection with the adoption by the Audit Committee of the Work Plan for 2019, which describes in detail the scope of topics to be discussed at each meeting, the Audit Committee also implemented the issues contained in the Work Plan.

The Audit Committee of Asseco South Eastern Europe S.A. held meetings with the auditor of Deloitte Audyt Sp. z o.o. sp. k. before publication of the financial results for the financial year 2018 and for the first half of 2019, during which representatives of Deloitte Audyt Sp. z o.o. sp. k. presented a summary report on the audit of the financial statements of the Asseco South Eastern Europe S.A. Company and Capital Group. All significant issues related to the financial statements were discussed. Furthermore, during the meeting prior to publication of the annual financial statements, the auditor presented an additional report to the Audit Committee.

The Audit Committee, taking into account the statements of the audit firm and the statutory auditors, concluded that both the audit firm and the persons carrying out the audit of the annual financial statements of the Company and the Group for 2018 and the review of the condensed semi-annual financial statements of the Company and the Group for the first half of 2019 met the independence requirements.

Furthermore, the Audit Committee assessed the audit process as independent, due to the fact that the auditor met the conditions for expressing an unbiased and independent opinion on the audit, in accordance with relevant national law and professional standards.

In addition, the Audit Committee verified the process of preparing financial statements and the effectiveness of key procedures to ensure that financial statements as well as management and financial reports are prepared properly and contain reliable data.

During the meetings of the Audit Committee, prior to the publication of the financial results for the first and third quarter of 2019, the members of the Audit Committee acquainted themselves with the financial statements and the members of the Management Board answered additional questions of the Audit Committee.

The Audit Committee paid special attention to the functioning of internal audit, for this purpose the Audit Committee approved the audit plan for 2019 and then, during meetings with Internal Audit Manager Simeon Sumanski, became familiar with the presented methodology of audit work, its results, risk map and non-audit activities. The Audit Committee verified the Company's exposure to particular risks, ways of identifying and monitoring those risks and the Management Board's actions to reduce their impact on the Company's operations.

**II. An assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function**

When assessing the Company's standing it should be emphasised that the Company is the parent company of the Capital Group of Asseco South Eastern Europe (ASEE Group) and its core business is holding operations (the Company generated PLN 54.85 million in revenues from its holding operations, whereas its operating revenues amounted to PLN 9.88 million). With regard to the above, the Company's financial standing should be assessed from the perspective of the whole ASEE Group.

The Supervisory Board positively evaluates the Company's and the ASEE Group's situation, in particular in view of the data below.

The ASEE Group's results were much higher than those achieved in the previous financial year and higher than assumed in the budget for 2019. Sales revenues of the ASEE Group for 2019 amounted to EUR 204.9 million (PLN 881.3 million), operating profit for this period reached EUR 25.6 million (PLN 110.2 million), and EBITDA for 2019 amounted to EUR 40.9 million (PLN 175.9 million). Consolidated net profit of ASEE Group to the benefit of Shareholders of the Parent Company for 2019 amounted to EUR 20.9 million (PLN 90 million). Net profit margin in 2019 amounted to 10.2% and improved slightly from 9.7% a year ago.

During 2019, the ASEE Group closed a number of acquisitions which affected its financial results. In 2019 the Company consolidated the results of Necomplus (Spain, Portugal, South America), Sonet (Czech Republic and Slovakia) as well as several smaller companies acquired directly by the ASEE Group companies. In 2019 the newly acquired companies made a total of EUR 33 million in revenues of the ASEE Group. The new companies had an EBIT impact of EUR 1.5 million and EBITDA impact of EUR 3 million.

Sales revenues of the Payment Solutions segment for 2019 reached EUR 85.6 million. The segment's largest increase in sales was reported by the line responsible for maintenance services related to payment terminals, which generated the bulk of the Necomplus Group, Sonet and other new companies' revenues. Higher sales were also reported by the segment's lines responsible for eCommerce (mainly in Turkey) and processing of payment transactions (mainly in Serbia). The segment's operating profit increased by 60% and reached EUR 12.9 million in 2019. Higher earnings were reported by all the segment's lines. EBITDA of this segment amounted to EUR 24.3 million in 2019.

The Banking Solutions segment recorded sales of EUR 43.7 million in 2019. Revenues increased in all the segment's lines, with the largest portion being the line offering mobile solutions, mainly in Croatia, but also in Serbia, Bulgaria, Kosovo and Bosnia and Herzegovina. Higher revenues were also reported by the lines responsible for security solutions (mainly in Croatia and Turkey) as well as for central banking systems and other software (mainly in Serbia, Macedonia, Croatia, Bulgaria, and Moldova). Following the segment's increased revenues, its operating profit also increased, reaching EUR 9.1 million in 2019. Higher operating profit of the Banking Solutions segment contributed to higher EBITDA, which reached EUR 11.4 million in 2019.

In 2019 the Dedicated Solutions segment generated sales revenues of EUR 75.6 million. With new projects implemented by the Serbian company ASEE and as a result of consolidation of part of revenues of Necomplus and Mobven, sales of the segment's dedicated solutions line increased dynamically in 2019. The segment's operating profit increased to EUR 3.6 million in 2019. Following the increase in operating profit, the segment's EBITDA also increased to EUR 5.3 million in 2019.

Improvement of the ASEE Group's results in 2019 was accompanied by an increase in ROE and ROA. Return on equity for the 12-month period ended 31 December 2019 was 11.5%, up 2.8 percentage points, while return on assets increased by 1.2 percentage points to 8.0%.

At the end of 2019, the balance sheet total was PLN 1, 250 million and increased by PLN 260 million over the last 12 months. The structure of assets did not change significantly during the year, while the balance of liabilities increased, which at the end of December 2019 amounted to PLN 450 million, which constitutes 36% of the balance sheet total. The value of long-term liabilities increased during 2019 by nearly PLN 102 million primarily as a result of recognition of lease liabilities in connection with IFRS 16 (PLN 46.5 million), increase in the balance of bank loans and borrowings by PLN 26 million, and recognition of other financial liabilities in the amount of PLN 28.6 million, which are related to the settlement of acquisitions conducted during 2019. Also, all the items of current liabilities increased, with the largest portion being trade accounts payable and contracts with customers, bank loans and borrowings as well as leasing liabilities. Despite the increase in liabilities, the ASEE Group's financial liquidity ratios remain at safe levels.

Net cash flows from operating activities in 2019 amounted to PLN 158.8 million and were higher by PLN 38 million than in the prior year. Higher operating cash flows resulted primarily from higher gross profit of the ASEE Group and higher depreciation and amortisation than in 2018. As at the end of 2019, cash and deposits amounted to PLN 199.7 million.

In conclusion, the Supervisory Board has a positive opinion on the financial results and operating activities conducted by the Company and the Asseco South Eastern Europe Group.

The Supervisory Board positively evaluates also the system of internal control, the system of management of risk significant to the Company, compliance system and internal audit function.

In the Supervisory Board's opinion, the existing system of internal control, risk management, compliance and internal audit function are effective and implemented solutions enable to identify the types of risks significant to the Company, manage them and keep it at an acceptable level. The system of internal control, management of risk, compliance and internal audit function is designed to include the types of risks connected with both the operating and holding activities of the Company.

The system of internal control is based on the mechanisms of risk control (included in bylaws, instructions, procedures, job descriptions of respective employees) and control exercised by employees. Key personnel is responsible for design, implementation and monitoring of an effective and efficient internal control system as well as for identification and review of any risk exposures. Responsibilities under the internal control and risk management systems, as adopted by ASEE S.A. in the process of preparing its financial statements, are performed by the Management Board, Supervisory Board, Audit Committee and other employees.

The Company has a separate internal auditor unit. Since 1 March 2018, this role is performed by Internal Audit Manager Simeon Sumanski, whose task is to review and evaluate the control mechanisms operating in the Company and the Group and to build a risk map.

In the Supervisory Board's opinion, the Management Board properly identified the types of risks significant to the Company and managed them effectively in a dynamically changing environment.

### **III. An assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities.**

The Supervisory Board gives its positive assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Stock Exchange Rules and the regulations on current and periodic reports published by issuers of securities.

**iv. Other**

Due to very limited scope of sponsorship activities, the Company does not have the formal policy in this regard, which is not questioned by the Supervisory Board.